



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

**NEW JERSEY STATE EMPLOYEES
DEFERRED COMPENSATION PLAN**

This document contains:

*Fact Sheet #59, The Taxability and Mandatory
Withholding of Income Tax From Your Deferred
Compensation Distribution*

and

**The Deferred Compensation Plan
Distribution Request Form**

The Taxability and Mandatory Withholding of Income Tax From Your Deferred Compensation Distribution

New Jersey State Employees Deferred Compensation Plan

SPECIAL TAX NOTICE REGARDING THE ROLLOVER OF PLAN PAYMENTS

This fact sheet explains how you can continue to defer federal income tax on your retirement savings in the New Jersey State Employees Deferred Compensation Plan (the "Plan") and is provided to you by the New Jersey Division of Pensions and Benefits (your "Plan Administrator"). The fact sheet also contains important information you will need before you decide how to receive your Plan benefits.

If you are, or will soon be, receiving a payment from the Plan, all or part of the payment may be eligible for rollover to a traditional IRA or an eligible employer plan. A rollover is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). An "eligible employer plan" includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan). The New Jersey State Employees Deferred Compensation Plan is a governmental 457 plan.

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain

types of distributions. If this is the case, you may wish instead to roll your distribution over to a traditional IRA or to split your rollover amount between the employer plan in which you will participate and a traditional IRA. If an employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

If you have additional questions after reading this fact sheet, you can contact your Plan Administrator at (609) 292-3605 or visit our office on the first floor at 50 West State Street, Trenton, New Jersey.

TYPES OF ROLLOVERS

There are two ways you may be able to receive a Plan payment that is eligible for rollover:

- (1) Certain payments can be made directly to a traditional IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit. This is known as a "**DIRECT ROLLOVER.**"
- (2) The payment can be **PAID TO YOU.**

DIRECT ROLLOVERS

A Direct Rollover is a direct payment of the amount of your Plan benefits to a traditional IRA or an eligible employer plan that will accept it. You can choose a Direct Rollover of all or any portion of your payment that is an eligible rollover distribution. You are not taxed on any taxable portion of your payment for which you choose a Direct Rollover until you later take it out of the traditional IRA or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your Plan benefits

for which you choose a Direct Rollover. This Plan might not let you choose a Direct Rollover if your distributions for the year are less than \$200.

Direct Rollover to a Traditional IRA

You can open a traditional IRA to receive the Direct Rollover. If you choose to have your payment made directly to a traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a Direct Rollover to a traditional IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may wish to make sure that the traditional IRA you choose will allow you to move all or a part of your payment to another traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, *Individual Retirement Arrangements*, for more information on traditional IRAs (including limits on how often you can roll over between IRAs).

Direct Rollover to a Plan

If you are employed by a new employer that has an eligible employer plan, and you want a Direct Rollover to that plan, ask the Plan Administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a Direct Rollover to a traditional IRA (see above). If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the Plan Administrator of that plan before making your decision.

Direct Rollover of a Series of Payments

If you receive a payment that can be rolled over to a traditional IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a Direct Rollover for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

Tax Treatment Resulting from a Direct Rollover

The tax treatment of any payment from a traditional

IRA or eligible employer plan receiving your Direct Rollover might be different than if you received your benefit in a taxable distribution directly from the Plan. See the section below entitled "Additional 10% Tax May Apply to Certain Distributions."

If You Choose a Direct Rollover

- Your payment will not be taxed in the current year and no income tax will be withheld.
- You choose whether your payment will be made directly to your traditional IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account because these are not traditional IRAs.
- Your payment will be taxed later, when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.

PAYMENTS THAT ARE PAID TO YOU

If your payment can be rolled over and the payment is made to you in cash, it is subject to 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply (see "Income Tax Withholding" below).

If You Choose to Have a Plan Payment That is Eligible for Rollover PAID TO YOU

- You will receive only 80% of the taxable amount of the payment, because the Plan Administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.
- The taxable amount of your payment will be taxed in the current year unless you roll it over.
- You can roll over all or part of the payment by paying it, within 60 days after you receive the payment (see "Sixty-Day Rollover Option" below), to your traditional IRA or to an eligible

employer plan that accepts your rollover. The amount rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.

- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

Sixty-Day Rollover Option

If you receive a payment that can be rolled over, you can still decide to roll over all or part of it to a traditional IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to a traditional IRA or eligible employer plan **within 60 days after you receive the payment**. The portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.

You can roll over up to 100% of your eligible payment, including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, **you must find other money within the 60-day period** to contribute to the traditional IRA or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

For example: Your payment that can be rolled over is \$10,000, and you choose to have it paid to you. You will receive \$8,000, and \$2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$8,000, you may roll over the entire \$10,000 to a traditional IRA or an eligible employer plan. To do this, you roll over the \$8,000 you received from the Plan, and you will have to find \$2,000 from other sources (your savings, a loan, etc.). In this case, the entire \$10,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund of part or all of the \$2,000 withheld.

If, on the other hand, you roll over only \$8,000, the \$2,000 you did not roll over is taxed in the year it was

withheld. When you file your income tax return, you may get a refund of part of the \$2,000 withheld. (However, any refund is likely to be larger if you roll over the entire \$10,000.)

INCOME TAX WITHHOLDING

Mandatory Withholding

If any portion of your payment can be rolled over and you do not elect to make a Direct Rollover, the Plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding.

For example, if you can roll over a taxable payment of \$10,000, only \$8,000 will be paid to you because the Plan must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see "Sixty-Day Rollover Option" above) you must report the full \$10,000 as a taxable payment from the Plan. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than \$200.

Voluntary Withholding

If any portion of your payment is taxable but cannot be rolled over, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, 10% will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask the Plan Administrator for the election form and related information.

Additional 10% Tax May Apply to Certain Distributions

Distributions from this Plan are generally not subject to the additional 10% tax that applies to pre-age-59½ distributions from other types of plans. However, any distribution from the Plan that is attributable to an amount you rolled over to the Plan (adjusted for investment returns) from another type of eligible employer plan or IRA amount is subject to the additional 10% tax if it is distributed to you before you reach age 59½, unless an exception applies.

Exceptions to the additional 10% tax generally include:

- Payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies).
- Payments that are paid from an eligible employer plan after you separate from service with your employer during or after the year you reach age 55.
- Payments that are paid because you retire due to disability.
- Payments that are paid directly to the government to satisfy a federal tax levy.
- Payments that are paid to an alternate payee under a qualified domestic relations order.
- Payments that do not exceed the amount of your deductible medical expenses.

These exceptions may be different for distributions from a traditional IRA. See IRS *Form 5329* for more information on the additional 10% tax.

The additional 10% tax does not apply to distributions from the Plan or any other governmental 457 plan, except to the extent the distribution is attributable to an amount you rolled over to the governmental 457 plan (adjusted for investment returns) from another type of eligible employer plan or IRA.

In addition, any amount rolled over from the Plan to another type of eligible employer plan or to a traditional IRA will be subject to the additional 10% tax if it is distributed to you before you reach age 59½, unless an exception applies.

WAIVER OF 30-DAY NOTICE PERIOD

Generally, neither a Direct Rollover nor a payment to you can be made from the plan until at least 30 days after your receipt of this rollover notice. After receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not you wish to make a Direct Rollover. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan Administrator.

PAYMENTS THAT CANNOT BE ROLLED OVER

The following types of payments cannot be rolled over:

Payments to a Non-Traditional IRA

Payments from the Plan can be rolled over to a traditional IRA or an eligible employer plan, but cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account. Your Plan Administrator can tell you whether your payment is an eligible rollover distribution.

Payments Spread over Long Periods

You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for:

- your lifetime (or a period measured by your life expectancy); or
- your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies); or
- a period of 10 years or more.

Required Minimum Payments

Beginning when you reach age 70½ or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you.

Unforeseeable Emergency Distributions

A distribution on account of an unforeseeable emergency cannot be rolled over.

Distributions of Excess Contributions

A distribution that is made because legal limits on certain contributions were exceeded cannot be rolled over.

The Plan Administrator of this Plan should be able to tell you if your payment includes amounts that cannot be rolled over.

SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are "alternate payees." You are an alternate payee if your interest in the Plan results from a "qualified domestic relations order," which is

an order issued by a court, usually in connection with a divorce or legal separation.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over paid in a Direct Rollover to a traditional IRA, to an eligible employer plan, or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to a traditional IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

If you are a beneficiary other than a surviving spouse or an alternate payee, you cannot choose a Direct Rollover, and you cannot roll over the payment yourself.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described above, even if you are younger than age 59½.

ADDITIONAL INFORMATION

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with the Plan Administrator or a professional tax advisor before you take a payment of your benefits from your Plan.

You can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, *Pension and Annuity Income*, and IRS Publication 590, *Individual Retirement Arrangements*. These publications are available from your local IRS office, by calling the IRS at 1-800-TAX-FORMS, or on the IRS's Internet site at www.irs.gov

This fact sheet has been produced and distributed by:

**New Jersey Division of Pensions and Benefits • PO Box 295 • Trenton, New Jersey 08625-0295
(609) 292-7524 • TDD for the hearing impaired (609) 292-7718**

URL: <http://www.state.nj.us/treasury/pensions> • E-mail: pensions_nj@tre.state.nj.us

This fact sheet is a summary and not intended to provide total information.

Although every attempt at accuracy is made, it cannot be guaranteed.

Division of Pensions and Benefits
PO Box 295
Trenton, NJ 08625-0295

NEW JERSEY STATE EMPLOYEES DEFERRED COMPENSATION PLAN

**DISTRIBUTION
REQUEST**

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PLEASE PRINT Participant's Name — <i>First, M.I., Last</i>	DATE OF BIRTH								
PARTICIPANT'S ADDRESS — <i>Number and Street</i>									
<div style="display: flex; justify-content: space-between;"> City State Zip </div>									
TELEPHONE NUMBER	<div style="display: flex; justify-content: space-between;"> HOME WORK </div>								

REASON FOR DISTRIBUTION

☐ **New Request**
☐ **Amended Request**
☐ **Suspend Distribution**

If this is a new request, indicate the reason by checking the appropriate box and entering the corresponding date(s) (month/day/year).

☐ **Termination**
☐ **Retirement**
☐ **Disability**
Date Service Terminated ____/____/____

DISTRIBUTION ALTERNATIVES

I request distribution of my account in the following manner:

<input type="checkbox"/> Lump Sum – Dollar amount requested \$_____	Paid on ____ / 27 / ____
<input type="checkbox"/> Lump Sum – Balance of Account	Paid on ____ / 27 / ____
PERIODIC PAYMENTS	
<input type="checkbox"/> Monthly Payments for _____ years. Beginning ____ / 27 / ____ <small style="margin-left: 100px;">Number in Whole Years</small>	
<small>(IF PAYOUT SELECTION IS FOR 10 YEARS OR MORE SKIP ROLLOVER SECTION AND PROCEED TO SIGNATURE AND NOTORIZATION)</small>	
ROLLOVER	
<input type="checkbox"/> Rollover the entire taxable portion of my payment to:	Eligible Plans:
<input type="checkbox"/> Rollover _____ of the taxable portion of my payment to: <small style="margin-left: 50px;">Insert dollar amount or percentage</small>	<input type="checkbox"/> IRA <input type="checkbox"/> 401(k) <input type="checkbox"/> 457(b) <input type="checkbox"/> 403(b)
PRINT THE NAME AND ADDRESS OF THE FINANCIAL INSTITUTION OR OTHER EMPLOYER PLAN _____ <small>(DO NOT SUBMIT FINANCIAL INSTITUTION FORMS)</small>	

I hereby elect to receive the value of my account in the manner described above. I understand that this request is being made in accordance with rules and regulations of the Plans as described on the reverse side of this form.

SWORN AND SUBSCRIBED BEFORE ME THIS

_____ DAY OF _____, _____

(If YOU HAVE AN OFFICIAL SEAL, AFFIX IT)

NOTARY PUBLIC

SIGNATURE OF PARTICIPANT

DATE

INSTRUCTIONS

Kindly complete and return this Distribution Request form to the Deferred Compensation Plan Office indicating your elections for payment of your account balances. Please refer to [Fact Sheet #7](#), *New Jersey State Employees Deferred Compensation Plan Distribution Options*, for detailed information concerning your distribution options.

All distributions from the Deferred Compensation Plan are considered to be taxable pension payments and are subject to federal income tax. However, they are not eligible for special 5-year or 10-year averaging. Please refer to [Fact Sheet #59](#), *The Taxability and Mandatory Withholding of Income Tax From Your Deferred Compensation Distribution*, for detailed information concerning federal income tax liability and your ability to rollover distributions to another retirement plan. Reemployment with the State of New Jersey or an eligible agency or authority may qualify you to continue under your existing Deferred Compensation account.

The Deferred Compensation Plan offers direct deposit of most distribution payments. The payments are credited to accounts on the 27th day of the month or preceding day in the event the 27th is a non-banking or non-business day. For further information on direct deposit, call (609) 292-3605 or visit our website at www.state.nj.us/treasury/pensions/fact32.htm.

SPECIFIC INSTRUCTIONS —

Participant Information — Please provide all information as requested.

Reason for Distribution — Please indicate if this is a new request or if you are amending a request you made previously. If this is a new request please indicate the reason for your **“severance from employment”** and your last day of service. If this is an amended request please proceed to selecting your distribution alternatives.

Distribution Alternatives —

1. **When do you want to receive your distribution?** Check the appropriate fields, indicate the date(s) when you would like to receive payment(s) from your account. Distributions from the Plan are dated the 27th day of each month.

Under all circumstances, you may delay distribution until as late as March 27 of the calendar year after attainment of age 70½.

An election to receive immediate distribution from the Plan is irrevocable. However, an election to delay distribution can be changed to accelerate or further delay the start of distribution to any month and year not to exceed March 27 of the calendar year after the attainment of age 70½.

2. **How do you want to receive your distribution?** Check the appropriate box(es) indicating how you would like to receive payment from your account. You may elect a lump sum payment of your entire account, a lump sum payment of a portion of your account or periodic payments from your account.

If your account value is under \$5,000 your account is eligible for lump-sum payment only. Lump-sum payment of accounts valued at less than \$5,000 is eligible for rollover and may be rolled over unless otherwise indicated by you. If your account value is greater than \$5,000 you may elect to receive a **lump sum of the balance** in your account, a specific **lump-sum dollar amount** or **periodic payments**. An election for a specific lump-sum dollar amount can be followed by periodic payments. However, you must check the appropriate box(es) indicating the type and date of payment and/or number of years if monthly installments are chosen.

You may change your election of how to receive your distribution at any time up to 30 days prior to a scheduled payment. To change your distribution options you must submit an amended Distribution Request form. You must check the box indicating “Amended Request” and indicate your revised election(s) for payment.

Required Signatures and Notary — You must sign this form in the presence of a notary.

**If you have any questions, contact the NJ State Employees
Defined Contribution Plans Unit in writing or telephone (609) 292-3605.**